



# House of Representatives

General Assembly

**File No. 230**

February Session, 2012

House Bill No. 5414

*House of Representatives, April 3, 2012*

The Committee on Banks reported through REP. TONG of the 147th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT CONCERNING THE ELIMINATION OF THE INTEREST RATE FLOOR FOR TAX AND INSURANCE ESCROW ACCOUNTS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 49-2a of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective*  
3 *October 1, 2012*):

4 (a) On and after July 1, 1993, each state bank and trust company,  
5 national banking association, state or federally chartered savings and  
6 loan association, savings bank, insurance company and other  
7 mortgagee or mortgage servicing company holding funds of a  
8 mortgagor in escrow for the payment of taxes and insurance premiums  
9 with respect to mortgaged property located in this state shall pay  
10 interest on such funds, except as provided in section 49-2c, at a rate of  
11 not less than the average rate paid, as of December 30, 1992, on savings  
12 deposits by insured commercial banks as published in the Federal  
13 Reserve Board Bulletin and rounded to the nearest one-tenth of one  
14 percentage point. [ except in no event shall the rate be less than one

15 and one-half per cent.] On and after January 1, 1994, the rate for each  
16 calendar year shall be not less than the deposit index as defined in  
17 subsection (c) of this section for that year and rounded to the nearest  
18 one-tenth of one percentage point. [, except in no event shall the rate be  
19 less than one and one-half per cent.] Interest payments shall be  
20 credited on the thirty-first day of December annually toward the  
21 payment of taxes or insurance premiums as the case may be, on such  
22 mortgaged property in the ensuing year. If the mortgage debt is paid  
23 prior to December thirty-first in any year, the interest to the date of  
24 payment shall be paid to the mortgagor. The provisions of this section  
25 shall apply only with respect to mortgages on owner-occupied  
26 residential property consisting of not more than four living units and  
27 housing cooperatives occupied solely by the shareholders thereof. Any  
28 mortgagee or mortgage servicing company violating the provisions of  
29 this section shall be fined not more than one hundred dollars for each  
30 offense.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2012	49-2a(a)
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**BA**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

The bill results in no fiscal impact to the state although it alters the financial responsibilities of mortgage holding entities, it does not change the duties of the Department of Banking.

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

**OLR Bill Analysis****HB 5414*****AN ACT CONCERNING THE ELIMINATION OF THE INTEREST RATE FLOOR FOR TAX AND INSURANCE ESCROW ACCOUNTS.*****SUMMARY:**

This bill eliminates the minimum 1.5% interest rate on tax and insurance escrow accounts.

Current law requires the interest rate to be at least the average savings deposit interest rate paid by insured commercial banks published in the Federal Reserve Board Bulletin in November of the previous year (i.e., deposit index) but not less than 1.5%. The bill retains the deposit index method for calculating the interest rate. (The 2012 deposit index is 0.16%.)

By law, state banks and trust companies, national banking associations, state or federally chartered savings and loan associations, savings banks, insurance companies, and other mortgagee or mortgage servicing companies must pay interest on these accounts.

It is unclear whether the bill's interest rate changes apply retroactively, but presumably they apply beginning October 1, 2012.

EFFECTIVE DATE: October 1, 2012

**COMMITTEE ACTION**

Banks Committee

Joint Favorable

Yea 18 Nay 0 (03/20/2012)